

1.0 RATINGS

Ratings are based on unaudited Financial Statement up to 30th June, 2012 along with the other relevant Quantitative as well as Qualitative information provided by the Bank & Client up to the Date of Rating Declaration.

Followed Corporate Rating Methodology and Bank Loan Rating Methodology of NCR published in our website.

Website: www.ncrbd.com

ENTITY RATING				
Date of Rating Declaration	Long Term		Short Term	
29.08.2013	A- (Single A Minus)		ST-3	
Valid Till	28.08.2014		28.02.2014	
Outlook	Stable			
BANK LOAN RATINGS				
Name of Bank	Nature of Facility	Limit (TK. In Million)	Outstanding (TK. In Million)	BLR ^a
BASIC Bank Ltd.	Cash Credit	40.00	37.98*	BBB+
	LTR	10.08	11.31*	
	Loan General	16.00	18.06*	
	Short Term Loan	15.89	16.90*	
	Term Loan	81.00	86.24*	
National Bank of Pakistan	TR	Case to Case	64.20**	BBB
Bank Asia Limited	Term Loan	13.04	8.64**	A-
People's Leasing and Financial Services Ltd.	Lease Finance	12.81	11.64**	

* Outstanding as on 19th August, 2013

** Outstanding as on 30th June, 2013

^a BLR is valid for one year for long term loan and for short term loan up to 365 days or according to the tenure of the loan whichever is earlier

2.0 PROFILE

- Engaged to produce day-old chick (boiler & Layer), eggs and culled birds.

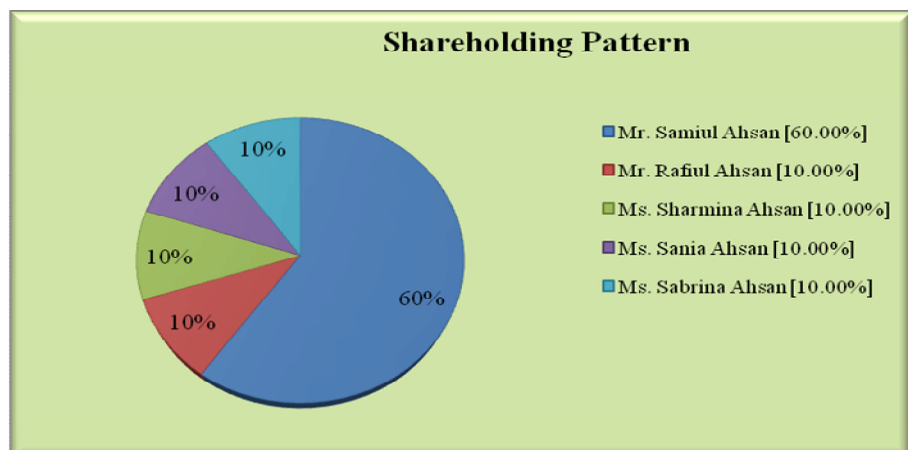
2.1 Phenix Hatchery Ltd. (hereinafter referred as 'PHL' or The Company) is a sister concerns of Phenix Group, a renowned concern of Bangladesh. It was incorporated as a Private Limited Company on 28 February 1993 under the Companies Act, 1994. The company is engaged to Produce Day-Old-Chicks (Boiler & layer), Eggs and Culled birds. PHL is running its operation with modern technology and equipments.

2.2 The corporate office of PHL is located at 34, Purana Paltan, Dhaka and the firm is located at Baniarchara, Memberbari, Gazipur. The farm is built on a piece of own land measuring 68 Bigha. PHL has 10 sheds with 16000 sqft each. The yearly production capacity of the company is around 32.85 million DOC, 5 million eggs and 60000 kg Culled birds.

3.0 OWNERSHIP

- Private limited company concentrated within the family members

3.1 Shareholding pattern is found concentrated within family members. Majority of (60.00%) the shares are held by Mr. Samiul Ahsan, Chairman and Managing Director of the company and rest of the shares are held by Mr. Rafiul Ahsan, Ms. Sarmina Ahsan, Ms. Sania Ahsan and Ms. Sabrina Ahsan. The present shareholding pattern of the company is illustrated below:



4.0 GROUP PROFILE

- Operates with a large number of companies in agro sector

4.1 Phenix Group has diversified line of businesses through poultry, agro, power and trading. The brief group profile is given below:

SL	Name of the Company	Description
1.	Phenix Poultry Ltd.	The company is pioneer in poultry business in Bangladesh since 1974.
2.	Phenix Hatchery Ltd.	The company is engaged in producing and marketing of commercial day old chicken since 1988. This is the largest producer of white layer DOC. Recently the company is associated with Bangladesh Livestock Research Institute to develop white layer strain called “Shuvra” and received exclusive distribution of Shuvra DOC.
3.	Phenix Agro Ltd.	The company is associated with production and marketing of poultry vaccines under collaboration with the microbiology department of Agricultural University of Bangladesh.
4.	Samiul Agro Complex Ltd.	The company is engaged in production of layer and broiler day old chicks since 2006.
5.	Ahsan Agro Ltd.	The company is engaged in production of layer and broiler day old chicks since 2009.
6.	Rafiul Agro Ltd.	The company is engaged in production of layer and broiler day old chicks since 2009.
7.	B.K. Traders Ltd.	The company is engaged in trading business of different feed ingredient since 1972.
8.	Phenix Aquatic Products Ltd.	The company is involved in cultivating various sweet water fish for local consumption. The total water area is 230 acres. The annual production capacity of the company is 50000 tons fish.
9.	Lal Sabuj Seed Ltd.	The company is engaged with production of potato and paddy seed. It also imports maize seed, vegetables seed.
10.	Phenix Green Energy Ltd.	The company is involved in producing bio electricity methane from poultry liter and generating electricity with the help of methane based gas generator. This plant produces 400KW electricity per day.

5.0 GOVERNANCE

- The Board is a key source of guidance to the management

5.1 The company’s BoD comprises of five members. The BoD is a key source of guidance to the management and responsible for policy formulation and overseeing the management reports. The members have rich educational background and long experience of working at the top level management of the group. The Managing Director continuously monitors the ongoing operations and reviews the financial reports. On the other hand, major decisions are approved by the BoD.

5.2 Brief profile of Board members is given below:

SL	Name	Designation	Qualification	Experience
1	Mr. Samiul Ahsan	Managing Director	Diploma in Agriculture	51 Years
2	Mr. Rafiul Ahsan	Director	MBA	15 Years
3	Ms. Sharmina Ahsan	Director	MBA	----
4	Ms. Sania Ahsan	Director	M.B.B.S.	----
5	Ms. Sabrina Ahsan	Director	MBA	----

6.0 MANAGEMENT

- Qualified and experienced management team

6.1 The company has an organized management team with a good blend of qualified of young and energetic persons for the group. The group management team is centrally controlled and headed by the Managing Director, Mr. Samiul Ahsan who has 51 years of experience in diversified industrial sectors. The Managing Director is responsible to look after the managerial and administrative activities under the policy and guide line given by the Board of Directors.

6.2 In the head office there are seven departments namely: (1) Foreign Exchange & Corporate Affairs , (2) Production & Marketing , (3) Accounts , (4) Operation , (5) HRM and (6) Logistics & Supply Chain and (7) Sales & Marketing. The detail is given below:

Sl.	Department	Name	Qualification	Experience
1	Foreign Exchange & Corporate Affairs	Mr. Md. Rafiqul Islam Bhuiyan	Masters in Economics	36 Years
2	Production & Marketing	Dr. Sorwar Jahan	Masters in Veterinary Medicine	15 Years
3	Accounts	Mr. Motiur Rahman	C.A.	15Years
		Mr. Md. Awal Miah	M.B.A.	17 Years
4	Operation	Dr. Shahdat Hossain	Graduation in Animal Husbandry	15 Years
		Dr. Nazrul Islam	Graduation in Animal Husbandry, P.H.D. from Japan	17 Years
		Mr. Mahfuzur Rahman Khan	---	30 Years
5	HRM	Ms. Surma Khan	Masters in Management	23 Years
6	Logistics & Supply Chain	Engr. Hatem Khan	Engineering	30 Years
7	Sales & Marketing	Mr. Md. Anwar Hossain	B.A.	18 Years
		Mr. Md. Nur-A-Alam	Masters	15 Years

6.3 The company is well organized and well managed. All the operational functions and general administrative functions of the factory are directly supervised and monitored by the Factory-In-Charge. PHL offers good compensation packages to its employees as well as workers. The company facilitates employees with medical support, catering and dining facilities and a prayer room. At present 150 people are working at the office where male female ratio is 1:9.

7.0 SYSTEM & CONTROL

- Uses MS Office application, Poul-Soft & Tally software

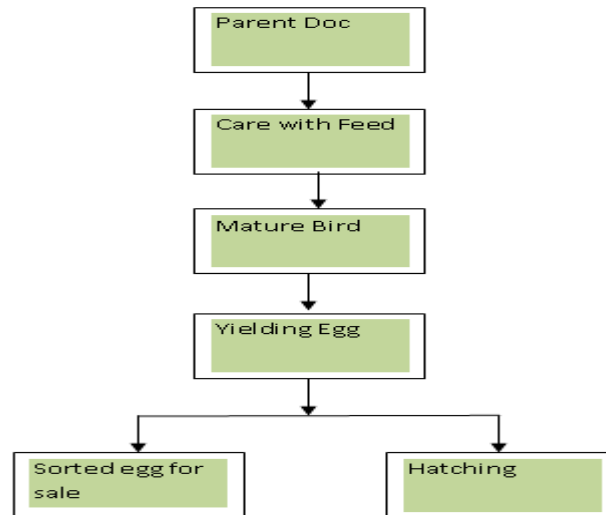
7.1 The company uses MS-Office application for documentation and record keeping purpose. Currently, the company uses Poul-Soft and Tally software for all of its activities. Operational activities are communicated through e-mail, fax and telephonic conversation to the top management and the Board.

7.2 The company procures DOCs (Parent stock) by importing different varieties from different countries like Hisex white, Hisex Brown, ISA Brown, and Shaver 579 from ISA-Hendrix, Netherlands, Cobb-500 from U.S.A. After collecting the DOCs (Parent Stock), the company keeps them under the special treatment for breeding process at their plant and collects the hatch able eggs for further processing.

7.3 The further processing of selected and suitable eggs, normally takes twenty one days to produce final products as DOC (Boiler). These twenty one days of operation is divided into two processes. In the first process the eggs are kept in 'Setters' for 18 days. In the second processing stage eggs are kept for three days in Hatchers. Incubators (Setters & Hatchers) have imported from Partersime, USA and other equipments from Cumberland USA.

PHL maintenance of bio-security which is essential for poultry sector. Because various animal diseases can be the reason of epidemic which is severe risk factor for the business. Bio security means security against biological agents and specifically against infectious biological agents. These biological agents include bacteria, viruses, protozoa, fungi, parasites and any other agents capable of introducing an infectious disease into a poultry flock.

7.4 The production process of hatchery, Breeders and broiler are given below:



8. 0 INDUSTRY RISK ANALYST

- High sectoral growth
- Unusual hike of prices of maize in local & international market

8.1 Agricultural sector contributes on an average 18.62% to the Gross Domestic Product (GDP). The performance of this sector has an overwhelming impact on major macroeconomic objectives like employment generation, poverty alleviation, proper utilization of human resources and most importantly food security. The poultry industry is crucial to agricultural growth and improvement of diet of the people and is also particularly important for the supply of protein and nutrition in a household's nutritional intake. The poultry industry in Bangladesh flourished during the 1990s and has contributed to significant employment generation and income for the poorer sections of people of the country.

The current investment in this sector is around TK 15,000 crore, which may double in five to seven years if government support is ensured. A ten million workforce are involved in the poultry industry and there are 150 million consumers in this sector. There are now about five Grand Parent stock farms, 40 to 50 Parent stock farms and hatcheries, 80,000-85,000 poultry farms and 25-30 poultry feed factories in the private sector. The sector is also poised to grow rapidly. The industry has been growing at 20% annually during the past 15 years.

8.2 The poultry farms rear broiler chicks for meat and layer chicks for eggs. Rising prices of poultry feed is causing prices of each one-day-old broiler and layer chick increased to TK 65-70 from TK 25-28. The price of major poultry feed from Biswas Feed, Aftab Feed, Usha Feed, Kazi Feed and Advanced Feed has been increased by TK 30-40 from TK. 20-25. A sack of layer chick feed has increased to TK 1,700 from TK 1,100 and for broiler chicks to TK 1,400 from TK 2,000 within a year. The unusual price hike of poultry feed is due to increase of the price of maize in the local and international market. The imported price of maize has grown up as importers are required to pay AIT on import of maize. Moreover the price of Soybean, another ingredient of poultry feed imported from abroad has also increased in the international market.

The avian influenza and the consequent culling of birds are the biggest threat and risk of poultry sector in mass level. The number of poultry farmers has reduced substantially due to 2007-08 outbreak of the bird flu scare in the country. The disease is claimed to have caused a loss of about TK 5,000 crore since the outbreak in early 2007 and loss of direct and indirect jobs of around 20 lac people. On an average, the bird flu flared up again in the country forcing the authorities to cull over 100,000 chickens. The prices of medicine for poultry firm have increased by 10% - 20%. The industry is on demand of duty concessions on other imported materials and medicines needed for the poultry. So, it is important to encourage the establishment of firms to produce these materials and medicines within the country.

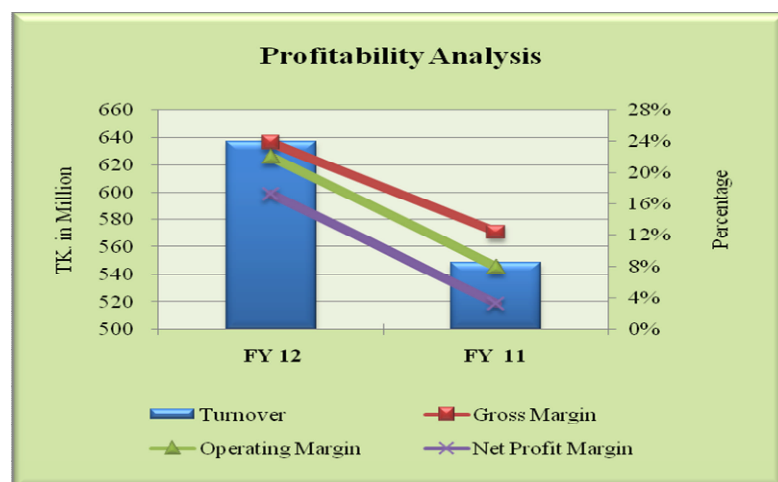
The poultry industry is not only meeting substantial local needs; it has found newer opportunities from value addition. Food industries have grown up based on chicken that produce soup, nuggets, sausages and other products, in accordance with the changing preferences of the customers. Some of these local poultry-based and value-added products have also found export markets. The export trend looks encouraging.

9.0 BUSINESS RISK ANALYSIS

- Growth in turnover & profit

9.1 PHL’s business performance has been evaluated on the basis of last two years unaudited reports and financial statements, prepared by company management.

9.2 The company’s turnover increased to TK. 636.87 million in FY 2012 against TK. 548.60 million in FY 2011, registering a growth of 16.09% in FY 2012. The Gross Profit increased to TK. 151.95 million in FY 2012 from TK. 67.78 million in FY 2011. The gross margin also increased to 23.86% in FY 2012 from 12.36% in FY 2011. The cost to revenue ratio has decreased to 76.14% in 2012 from 87.64% in 2011, showing adequate improvement in operating efficiency.



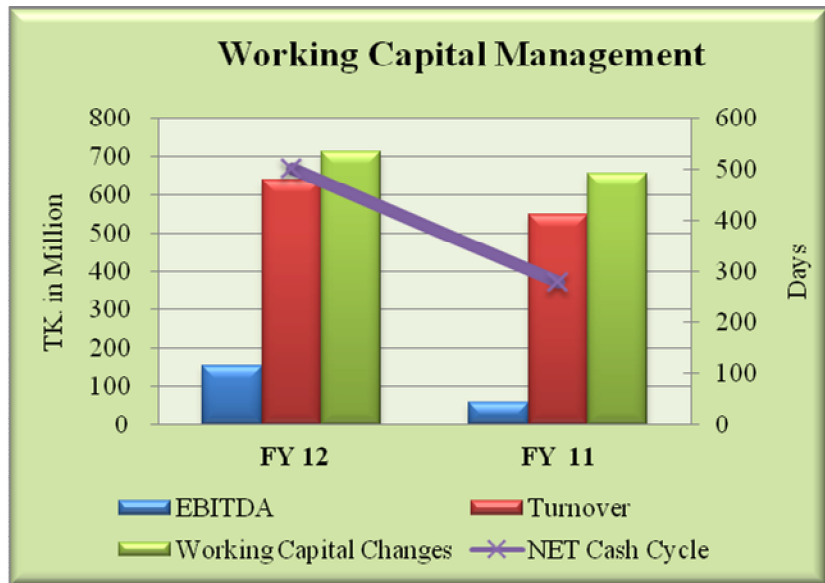
9.3 Operating profit increased to TK. 140.32 million in FY 2012 from TK. 43.64 million in FY 2011. The operating margin also increased to 22.03% in FY 2012 from 7.96% in FY 2011. The operating expenses decreased to TK. 11.63 million in FY 2012 against TK. 24.14 million in FY 2011.

10.0 FINANCIAL RISK ANALYSIS

- Increase in net profit
- Adequate coverage & liquidity position
- Low Leverage

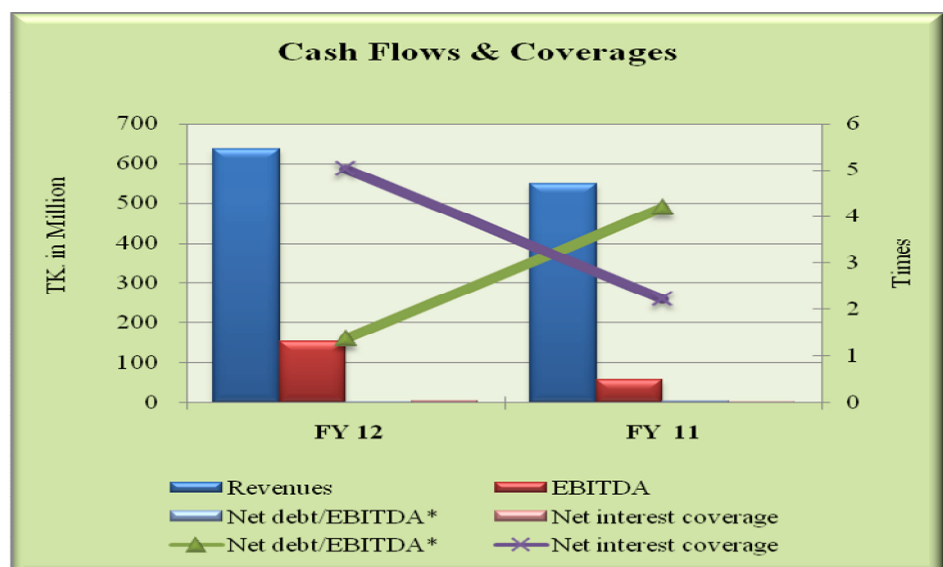
10.1 The net income increased to TK. 109.92 million in FY 2012 from TK. 17.79 million in FY 2011. The net profit margin increased to 17.26% in FY 2012 from 3.24% in FY 2011. On the other hand, the financial expenses have increased to TK. 30.39 million in FY 2012 from TK. 25.85 million in FY 2011. The financing cost to revenue ratio increased to 4.77% in FY 2012 from 4.71% in FY 2011.

10.2 The company has own credit policy to handle the credit control and inventory management. The net working capital increased to TK. 712.22 million in FY 2012 from 655.08 million in FY 2011. PHL has longer average trade receivable cycle (253 days) compared to short average trade payable cycle (4 days) in FY 2012. The cash cycle has enlarged to 501 days in FY 2012 from 278 days in FY 2011.

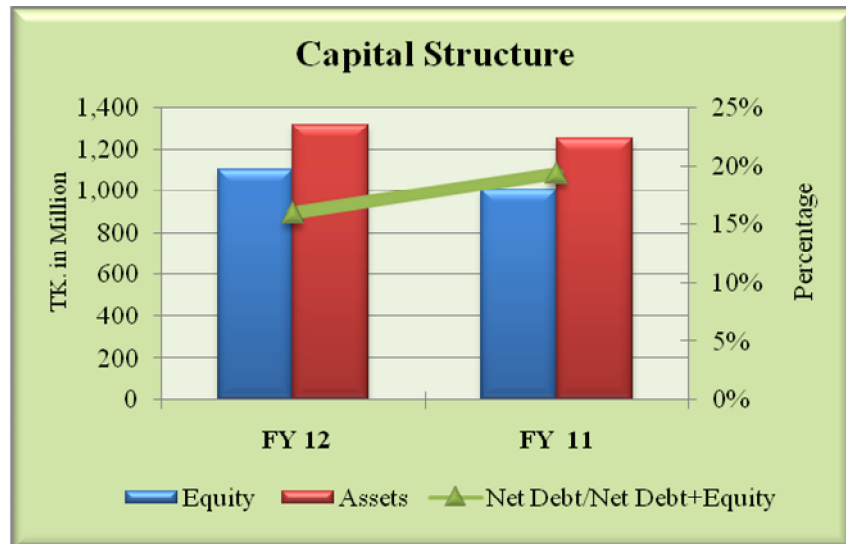


10.3 The EBITDA has increased to TK.152.71 million in FY 2012 from TK. 57.46 million in FY 2011, registering a growth of 165.77%. The impact of positive working capital also eventually interprets the liquidity position. The current ratio was found adequate and increased to 4.38 times in FY 2012 against 3.81 times in FY 2011.

10.4 The debt service coverage was found adequate and increased to 4.47 times in FY 2012 from 1.96 times as FY 2011. The debt payback periods became shorter to 1.37 times in FY 2012 from 4.18 times in the previous year.



10.5 The financial structure of PHL was composed of 15.93% debt and 84.07% equity in FY 2012. The asset turnover ratio has slightly decreased to 0.50 times in FY 2012 from 0.88 times in FY 2011. The equity multiplier declined to 1.22 times in FY 2012 from 1.25 times in FY 2011. The asset base of the company increased to TK. 1319.13 million in FY 2012 against TK. 1250.53 million in FY 2011.



10.5.1 Credit Facility

PHL avails credit facility form BASIC Bank Ltd., National Bank of Pakistan, Bank Asia Ltd., and People’s Leasing and Financial Services Ltd. The salient features of credit facility are given below:

Name of Bank	Nature of Facility	Limit (TK in Million)	Outstanding (TK in million)	Purpose
BASIC Bank Ltd.	Cash Credit	40.00	37.98*	■ To meet working capital requirement.
	LTR	10.08	11.31*	---
	Loan General	16.00	18.06*	---
	Short Term Loan	15.89	16.90*	---
	Term Loan	81.00	86.24*	---
National Bank of Pakistan	TR	Case to Case	64.20**	---
Bank Asia Limited	Term Loan	13.04	8.64**	■ To import parent stock chicken, maize for poultry uses.
People’s Leasing and Financial Services Ltd.	Lease Finance	12.81	11.64**	---
Total		188.82	254.97	

* Outstanding as on 19th August, 2013

** Outstanding as on 30th June, 2013

10.5.2 Security & Collateral

The company offered adequate collaterals against the entire credit facility. The collateral sufficiently covers the loan. The details of the security is given below:

Name of Bank	Description
BASIC Bank Ltd.	<ul style="list-style-type: none"> ▪ Registered mortgage of 10 acre land with structure constructed located at Valuka, Mymensingh. ▪ Registered mortgage of 36.45 acre land with poultry shed, hatchery building located at Baniachala, Memberbari, Gazipur. ▪ Hypothecation of live stock, poultry feed, medicine duly insured. ▪ Personal guarantee of all directors. ▪ Lien of all share certificates of the Directors.
Bank Asia Ltd.	<ul style="list-style-type: none"> ▪ Registered mortgage of 338 decimal land located at PS: Valuka, SRO: Valuka, District: Mymensingh (Mouza: Haribari, Plot No: CS: 99 & 103, Hal: 5902, 5903 & 5939, JL: CS & SA 274, RS& BS: 33) ▪ Hypothecation of live stock, poultry feed, medicine duly insured. ▪ Personal guarantee of all directors. ▪ Lien of all share certificates of the Directors.

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Rating Scales and Definition Long Term Credit Ratings (Bank/Financial Institutions/ NBFIs/Corporate/Debt Instruments)	
Rating Scale	Definition
INVESTMENT GRADE	
AAA	Excellent quality, offering highest safety for timely servicing of financial obligations. Such institutions carry minimum risk
AA+, AA, AA-	Very strong capacity for timely servicing of financial obligations offering high safety . Such institutions carry very low risk .
A+, A, A-	Strong capacity for timely servicing of financial obligations offering adequate safety . Such institutions carry low credit risk .
BBB+, BBB, BBB-	Adequate capacity for timely servicing of financial obligations offering moderate safety . The rating category denotes a moderate credit risk. However changes in circumstances or economic conditions are more likely to affect the capacity for timely servicing of financial obligations.
NON –INVESTMENT GRADE	
BB+, BB, BB-	Inadequate safety for timely servicing of financial obligations. Such institutions carry high credit risk . The entity remains more vulnerable to adverse economic changes over time.
B+, B, B-	Low safety for timely servicing of financial obligations.
CCC, CC, C	Very high risk for timely servicing of financial obligations.
D	Entities with this rating are of the lowest category. They are either in default or likely to be in default soon.
Short Term Credit Ratings (Bank/Financial Institutions/ NBFIs/Corporate/Debt Instruments)	
Rating	Definition
ST-1	Strongest capacity for timely payment of financial commitments and carry lowest credit risk.
ST-2	Strong capacity for timely payment of financial commitments and carry lowest credit risk
ST-3	Satisfactory capacity for timely payment of financial commitments and carry very low credit risk.
ST-4	Moderate capacity for timely payment of financial commitments and carry Moderate credit risk
ST-5	Uncertain capacity for timely payment of financial commitments and carry high credit risk.
ST-6	Indicates actual or inherent payment default.